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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, or registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in **China Resources Phoenix Healthcare Holdings Company Limited** (華潤鳳凰醫療控股有限公司), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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華潤鳳凰

CR Phoenix

China Resources Phoenix Healthcare Holdings Company Limited

華潤鳳凰醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

**(1) CONTINUING CONNECTED TRANSACTIONS UNDER
NEW FRAMEWORK AGREEMENT
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

Unless the context otherwise requires, capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from Somerley, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 37 of this circular.

A notice convening the EGM to be held at E-825, Fuli Morgan Center, No. 6 Taiping Street, Xicheng District, Beijing, the PRC on Monday, September 4, 2017 at 10:30 a.m. is set out on pages 43 to 44 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.crphoenix.hk).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

August 18, 2017

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Announcement”	the announcement in relation to, among others, the New Framework Agreement and the New PMM Purchase Caps published by the Company on July 21, 2017;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Brain Hospital”	Guangdong 999 Brain Hospital* (廣東三九腦科醫院);
“Company”	China Resources Phoenix Healthcare Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning given to it under the Listing Rules;
“CRC”	China Resources Co., Limited, a joint stock limited liability company incorporated in the PRC, which is the holding company of CRH and the banking and trust activities in which the CRC Group has an interest;
“CRC Group”	CRC, CRH and their respective subsidiaries;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of the CRC Group in Hong Kong, holding all the CRC Group’s material interests apart from its banking and trust activities;
“Director”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the New Framework Agreement and the New PMM Purchase Caps thereunder;

DEFINITIONS

“Existing PMM Purchase Caps”	the existing caps for the purchase of PMM Items under the Original Framework Agreement for the period from October 31, 2016 to December 31, 2016 and the two financial years ending December 31, 2018 approved at the extraordinary general meeting of the Company on October 31, 2016;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Huaikuang Hospital Group”	Huaibei Miner General Hospital Group* (淮北礦工總醫院集團);
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, to consider the terms of the New Framework Agreement and the New PMM Purchase Caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the New Framework Agreement and the New PMM Purchase Caps thereunder;
“Independent Financial Adviser” or “Sommerley”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement and the New PMM Purchase Caps thereunder;
“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM;
“Latest Practicable Date”	August 15, 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained therein;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“New Framework Agreement”	the new framework agreement entered into between the Company and CRH dated July 21, 2017;
“New PMM Purchase Caps”	the proposed caps for the purchase of PMM Items under the New Framework Agreement for the three financial years ending December 31, 2019 subject to the approval of the Independent Shareholders at the EGM;
“Original Framework Agreement”	the framework agreement entered into between the Company and the CRH dated October 5, 2016 as detailed in the announcement issued by the Company on October 5, 2016;
“PMM Items”	pharmaceuticals, medical device and medical consumables;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Share(s)”	share(s) with a par value of HK\$0.00025 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Sponsored Hospital(s)”	the hospital(s) in the PRC whose sponsor (舉辦人) is the Company or its subsidiary, which currently include (i) Xukuang Hospital, (ii) Huaikuang Hospital Group, (iii) Brain Hospital and (iv) Wugang Hospital Group;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning given to it under the Listing Rules;
“Wugang Hospital Group”	the hospital group comprising China Resources Wugang General Hospital* (華潤武鋼總醫院), Wuhan Iron and Steel (Group) Corporation No. 2 Staff Hospital* (武漢鋼鐵(集團)公司第二職工醫院) and their subsidiary institutions; and
“Xukuang Hospital”	Xuzhou Mining Hospital* (徐州市礦山醫院).

LETTER FROM THE BOARD



华润凤凰

CR Phoenix

China Resources Phoenix Healthcare Holdings Company Limited 華潤鳳凰醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

Non-executive Directors:

Mr. WANG Yin (*Chairman of the Board*)

Mr. WANG Yan

Mr. HE Xuan

Mr. LIANG Hongze

Executive Directors:

Mr. CHENG Libing (*Vice Chairman of the Board*)

Mr. WU Potao (*Chief Executive Officer*)

Mr. XU Zechang (*Executive General Manager*)

Independent Non-executive Directors:

Mr. KWONG Kwok Kong

Ms. CHENG Hong

Mr. SUN Jianhua

Mr. LEE Kar Chung Felix

Registered Office:

Harneys Services (Cayman) Limited

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Cayman Islands

*Headquarter and principal place
of business in the PRC:*

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in Hong Kong:*

10/F, Hongkong Offshore Centre

No.28 Austin Avenue

Tsim Sha Tsui

Hong Kong

August 18, 2017

To the Shareholders,

Dear Sir or Madam,

(1) CONTINUING CONNECTED TRANSACTIONS UNDER NEW FRAMEWORK AGREEMENT

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

NEW FRAMEWORK AGREEMENT

Reference is made to the Announcement in relation to, among others, the New Framework Agreement and the New PMM Purchase Caps. Due to operational needs, the Board expects that the Existing PMM Purchase Caps under the Original Framework Agreement will not be

LETTER FROM THE BOARD

sufficient for the expected transaction amounts for the purchase of PMM Items from CRH for the years ending December 31, 2017 and 2018. The Board therefore proposes to increase the annual caps for the purchase of PMM Items by setting the New PMM Purchase Caps under the New Framework Agreement.

In this connection, the Company and CRH entered into the New Framework Agreement on July 21, 2017, the details of which are set out below.

Date : July 21, 2017

Parties : the Company and CRH

Term : The term of the New Framework Agreement is from the date on which the approval of the New Framework Agreement by the Independent Shareholders has been obtained to December 31, 2019.

Save for the annual caps and the term, all the principal terms of the New Framework Agreement follow the Original Framework Agreement. The Original Framework Agreement shall terminate upon the New Framework Agreement being approved by the Independent Shareholders.

NEW CAPS FOR PMM ITEM PURCHASE

Principal Terms under the Original Framework Agreement

Set out below are the brief summary of the principal terms of the Original Framework Agreement, the Existing PMM Purchase Caps and the New PMM Purchase Caps.

Date : October 5, 2016

Parties : the Company and CRH

Term : The term of the Original Framework Agreement is from October 31, 2016 to December 31, 2018.

Pursuant to the Original Framework Agreement, CRH may, through its subsidiaries, supply PMM Items to the Group and the Sponsored Hospitals from time to time. The Group and the Sponsored Hospitals may place purchase orders for the PMM Items with CRH or its subsidiaries from time to time and CRH or its subsidiaries may sell the products to the Group and the Sponsored Hospitals at a price in accordance with the agreed pricing policy. The details of each purchase order, including price, payment terms and delivery arrangement, are to be separately agreed in accordance with the principles laid down in the Original Framework Agreement.

LETTER FROM THE BOARD

Pricing policy for PMM Item purchase

The price of the PMM Items shall be determined in accordance with the following principles:

- (i) If required by the PRC laws and regulations to do so, the prescribed price or guided price of the PMM Items fixed by the PRC regulators should be followed.
- (ii) If there is no mandatory legal requirements to strictly follow the prescribed price or guided price of the PMM Items, the price shall be determined based on arm's length negotiation between the parties and with reference to the then prevailing market price as evidenced by at least two quotations/bids (if available) obtained by the Company on best effort basis from independent third parties suppliers and in any event such price should not be higher than the applicable prescribed price or guided price.
- (iii) In the absence of a prescribed price or guided price of the relevant PMM Items, the price shall be determined based on arm's length negotiation between the parties and with reference to the then prevailing market price as evidenced by (i) the invoices provided by CRH or its subsidiaries for their supply of the relevant product to no less than three hospitals of similar grade or customers of similar procurement scale; and (ii) at least two quotations/bids (if available) obtained by the Company on best effort basis from independent third parties suppliers.

In accordance with the relevant guiding opinions and implementation notice issued by the PRC regulators, the procurement of certain PMM Items by public hospitals and medical institutions in the PRC is subject to a centralised tendering process. This also serves as a mechanism to determine the applicable prescribed price or guided price for the relevant PMM Items. The PMM Items subject to the centralized tendering process are determined and specified by the local regulators, which cover almost all the pharmaceutical products and a certain part of the medical devices that the Group and the Sponsored Hospital purchase from CRH. The centralised tendering process generally operates as follows:

- (i) Public hospitals and medical institutions in different provinces and cities in the PRC will submit the types of PMM Items (except for decoction pieces) required in their ordinary course of business to the centralized procurement platform in the relevant province or region, where the suppliers will submit their bidding prices in respect of the relevant PMM Items.
- (ii) The relevant governmental authority will then determine the selling price of a particular PMM Items in the relevant province or region by taking into consideration mainly the bidding prices, quality of the PMM Items and the comprehensive capability of different suppliers, and from which supplier(s) the hospitals and medical institutions in that province or region may purchase the product or consumable at such selling price.

LETTER FROM THE BOARD

- (iii) Due to the nature and operation of the above tendering process, the selling price for the same type of PMM Items may vary across different provinces and regions.

CRH similar to other independent third party suppliers, is required to go through the selection and approval procedures adopted by the Group and/or the Sponsored Hospitals as well as the commercial negotiation process in order to become a supplier of the Group and/or the Sponsored Hospitals. If practicable, the Group and/or the Sponsored Hospitals may source the required PMM Items through an open tendering or invited bidding to ensure fairness of the process. Certain designated personnel will be appointed to survey the price of designated PMM Items and ensure the tender pricing meets all such standards. Open tendering involves a bidding process that is open to all qualified bidders; while invited bidding involved a bidding process that is open to a few selected qualified bidders. Invited bidding may be adopted in particular in the circumstances where there is a relatively low demand for procurement of the relevant products or where there are insufficient potential bidders. Under the open tendering/invited bidding procedure in accordance with The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) which apply to both connected persons and independent third parties, a bid evaluation committee consisting our representatives and independent industry experts will assess and evaluate each submitted tender/bid under a set of criteria, including the price competitiveness and compliance with technical and product specifications, suppliers' track record and financial strength, and the Group and the Sponsored Hospitals will select and appoint the supplier for the relevant PMM Items adhering the recommendation from the bid evaluation committee. Direct procurement applies only in respect of certain low-price products and where open tendering or invited bidding is not considered practical or cost-efficient.

The parties also negotiate the terms of sales based on the business needs of, and the suitability of PMM Items to, the Group and/or the Sponsored Hospitals in the ordinary and usual course of business. After the Group or the Sponsored Hospitals confirmed the procurement, CRH or its subsidiaries will supply the PMM Items to the Group and/or the Sponsored Hospitals on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of PMM Items. From time to time, sales agents are required to produce pricing guides as part of their pitching. With such pricing information and the accumulated market experience from the long operation track record of the Group and the Sponsored Hospitals, the Company is always able to stay aware of the fair market terms for different supplies.

Internal Control Measures

In order to ensure that the pricing and terms of the transactions contemplated under the New Framework Agreement are in accordance with the pricing policy and no less favourable to the Group and the Sponsored Hospitals than those offered by independent suppliers, the Group and the Sponsored Hospitals will observe the following internal control measures:

1. designated management teams of the Group and the Sponsored Hospitals have been appointed to supervise the pricing and terms of the transactions under the New Framework Agreement and the compliance of the The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》), when applicable;

LETTER FROM THE BOARD

2. in particular, such designated management teams will review the invoices provided by CRH and/or the quotations/bids from independent third parties suppliers as disclosed above and ensure that the prices offered by CRH are not less favourable than those offered by independent suppliers;
3. the Company's auditor will conduct an annual review on the pricing and the caps under the New Framework Agreement; and
4. the management of the Company will conduct an annual review of the implementation and enforcement of the New Framework Agreement.

Having considered the above and in particular the transparency in the procurement process and the internal control measures, the Directors are of the view that the above procedures provide sufficient safeguard to ensure that the procurements will be conducted on normal commercial terms or better.

Historical transaction amount of PMM Item Purchase

- (i) The table below sets out the historical total transaction amounts in relation to the procurement of the PMM Items by (a) Wugang Hospital Group, (b) Huaikuang Hospital Group, (c) Xukuang Hospital and (d) the Group and the remaining Sponsored Hospitals for the three financial years ended December 31, 2016 and five months ended May 31, 2017:

	Financial year ended December 31, 2014 (RMB)	Financial year ended December 31, 2015 (RMB)	Financial year ended December 31, 2016 (RMB)	Five months ended May 31, 2017 (RMB)
Wugang Hospital Group	296 million	274 million	359 million	190 million
Huaikuang Hospital Group	307 million	284 million	356 million	172 million
Xukuang Hospital	53 million	65 million	97 million	43 million
the Group and the remaining Sponsored Hospitals	<u>1,234 million</u>	<u>1,434 million</u>	<u>1,414 million</u>	<u>551 million</u>
Total	<u><u>1,890 million</u></u>	<u><u>2,057 million</u></u>	<u><u>2,226 million</u></u>	<u><u>956 million</u></u>

LETTER FROM THE BOARD

- (ii) The table below sets out the historical transaction amounts in relation to procurement of the PMM Items by (a) Wugang Hospital Group, (b) Huaikuang Hospital Group, (c) Xukuang Hospital and (d) the Group and the remaining Sponsored Hospitals from CRH and its subsidiaries for the three financial years ended December 31, 2016 and the five months ended May 31, 2017:

	Financial year ended December 31, 2014 (RMB)	Financial year ended December 31, 2015 (RMB)	Financial year ended December 31, 2016 (RMB)	Five months ended May 31, 2017 (RMB)
Wugang Hospital Group	74 million	73 million	118 million	94 million
Huaikuang Hospital Group	2 million	3 million	50 million	106 million
Xukuang Hospital	-	-	-	-
the Group and the remaining Sponsored Hospitals	19 million	18 million	21 million	22 million
Total	95 million	94 million	189 million	222 million

- (iii) The table below sets out the historical percentages of procurement of the PMM Items from CRH and its subsidiaries out of the total procurement of the PMM Items by (a) Wugang Hospital Group, (b) Huaikuang Hospital Group, (c) Xukuang Hospital and (d) the Group and the remaining Sponsored Hospitals for the three financial years ended December 31, 2016 and the five months ended May 31, 2017:

	Financial year ended December 31, 2014 (%)	Financial year ended December 31, 2015 (%)	Financial year ended December 31, 2016 (%)	Five months ended May 31, 2017 (%)
Wugang Hospital Group	25.0	26.6	32.9	49.5
Huaikuang Hospital Group	0.5	1.1	14.0	61.6
Xukuang Hospital	-	-	-	-
the Group and the remaining Sponsored Hospitals	1.5	1.3	1.5	4.0
Total	5.0	4.6	8.5	23.2

LETTER FROM THE BOARD

Existing PMM Purchase Caps

The table below sets out the Existing PMM Purchase Caps for the period from October 31, 2016 to December 31, 2016 and the two financial years ending December 31, 2018, which were approved at the extraordinary general meeting of the Company on October 31, 2016.

For the period from October 31, 2016 to December 31, 2016 <i>(RMB)</i>	Financial year ending December 31, 2017 <i>(RMB)</i>	Financial year ending December 31, 2018 <i>(RMB)</i>
66.5 million	509 million	538.5 million

The Existing PMM Purchase Caps for the period from October 31, 2016 to December 31, 2016 were not exceeded. As at the date of this circular, the Existing PMM Purchase Caps for the year ending December 31, 2017 have not been exceeded.

New PMM Purchase Caps

The table below sets out the New PMM Purchase Caps for the three financial years ending December 31, 2019.

Financial year ending December 31, 2017 <i>(RMB)</i>	Financial year ending December 31, 2018 <i>(RMB)</i>	Financial year ending December 31, 2019 <i>(RMB)</i>
970 million	1,500 million	1,710 million

Basis for the New PMM Purchase Caps

The New PMM Purchase Caps are determined with reference to:

- (i) the total historical transaction amounts as set out above;
- (ii) the percentages of utilization of the Existing Annual Caps under the Original Framework Agreement for the period from November 1, 2016 to December 31, 2016 and five months ended May 31, 2017, being 97% and 44% respectively due to the unexpected increase in the purchase of PMM Items from CRH as a result of reasons mentioned below;

LETTER FROM THE BOARD

- (iii) the increase in the procurement of the PMM Items from CRH (or its subsidiaries) which was principally attributable to:
- a. increase of inpatient and outpatient visit of hospitals sponsored by the Group as follows:
 - the compound annual growth rate of in the range of approximately 7.2% of inpatient visit of hospitals sponsored by the Group for the three financial years ended December 31, 2016;
 - the compound annual growth rate of in the range of approximately 10.7% of outpatient visit of hospitals sponsored by the Group for the three financial years ended December 31, 2016;
 - b. the expected substantive increase in purchase of pharmaceuticals from CRH by the Group and the Sponsored Hospitals, taking into account:
 - the arrangement to have CRH as the main supply channel for Huaikuang Hospital Group and Wugang Hospital Group as disclosed in the circular of the Company dated October 7, 2016 and the availability of certain pharmaceutical products from CRH which were previously unavailable; it is expected that the percentage of pharmaceutical procurement from CRH out of these two hospitals' total pharmaceutical procurement to be increased from approximately 22% for the financial year ended December 31, 2016 to approximately 78% to 99% for the three financial years ending December 31, 2019;
 - the plan of Xukuang Hospital to have CRH as its main supply channel so as to enjoy bulk purchase discounts; it is expected that the percentage of pharmaceutical procurement from CRH out of Xukuang Hospital's total pharmaceutical procurement to be increased from approximately 0% for the financial year ended December 31, 2016 to approximately 51% to 100% for the three financial years ending December 31, 2019;
 - the plan of the Group's wholly-owned supply chain subsidiary in Beijing to purchase certain types of pharmaceutical products from CRH so as to enjoy bulk purchase discounts; it is expected that the percentage of pharmaceutical procurement from CRH out of total pharmaceutical procurement to be increased from approximately 2% for the financial year ended December 31, 2016 to approximately 17% to 19% for the three financial years ending December 31, 2019;

LETTER FROM THE BOARD

- c. the expected substantive increase in purchase of medical devices from CRH due to further integration and centralized management of the Group's supply chain so as to enjoy bulk purchase discounts and based on the historical transaction amounts and prices of the relevant medical devices of the Group, the Sponsored Hospitals and CRH; it is expected that the percentage of medical device procurement from CRH out of total medical device procurement to be increased from approximately 8% for the financial year ended December 31, 2016 to approximately 21% to 32% for the three financial years ending December 31, 2019; and
- d. a buffer of approximately 5% to 10% per year for the three financial years ending December 31, 2019 to accommodate the possible expansion of the Group's hospital network and the unforeseeable circumstances (including future price inflation increase).

Based on the factors set out above, the estimated procurements by (i) Wugang Hospital Group, (ii) Huaikuang Hospital Group; (iii) Xukuang Hospital Group; and (iv) the Group and the remaining Sponsored Hospitals from CRH are as follows:

	Financial year ending December 31, 2017 (RMB)	Financial year ending December 31, 2018 (RMB)	Financial year ending December 31, 2019 (RMB)
Wugang Hospital Group	340 million	550 million	600 million
Huaikuang Hospital Group	380 million	540 million	640 million
Xukuang Hospital	50 million	130 million	150 million
The Group and the remaining Sponsored Hospitals	200 million	280 million	340 million
Total	970 million	1,500 million	1,710 million

No reliance on CRH

The Group and the Sponsored Hospitals are not dependent on CRH even with the transactions contemplated under the New Framework Agreement given the reasons stated below: (i) the PMM Items supplies are generic in nature and are readily available from different suppliers in the PRC; (ii) the Group and the Sponsored Hospitals have existing relationships with a number of different suppliers who can easily step in to replace any supplies from CRH and its subsidiaries. There is no reason to believe that any such independent suppliers would be unwilling to continue or re-commence their supplies to the Group and the Sponsored Hospitals in the event of any shortfall of supplies from CRH and its subsidiaries; and (iii) the contemplated transaction amounts under the New Framework Agreement constitute below 45% of the total procurement amounts for the PMM Items by the Group and the Sponsored Hospitals during the period up to December 31, 2019.

LETTER FROM THE BOARD

Moreover, under the New Framework Agreement, the Company has the right to terminate the agreement without cause with 30 days' written notice, which provides the Group and the Sponsored Hospitals with sufficient independence and flexibility. There is no fixed procurement requirements imposed on the Group and the Sponsored Hospitals pursuant to the New Framework Agreement, and accordingly the Group and the Sponsored Hospitals may adjust their procurement policies in respect of CRH on an on-going basis in accordance with the applicable circumstances.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is a limited liability company incorporated in the Cayman Islands with the Shares listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of general hospital services and hospital management services in the PRC.

CRC and CRH

CRH is a diversified conglomerate in the PRC and Hong Kong, which is one of the key and large scale state-owned enterprises under the administration of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. CRC is the holding company of CRH.

The Sponsored Hospitals comprise (i) Xukuang Hospital, (ii) Huaikuang Hospital Group, (iii) Brain Hospital and (iv) Wugang Hospital Group. The Group owns equity interest in the respective sponsors for the Sponsored Hospitals, which enjoy certain rights and powers in relation to such Sponsored Hospitals. The basic information of the Sponsored Hospitals is set out below.

The Sponsored Hospitals

Xukuang Hospital

Xukuang Hospital is a not-for-profit, Grade II hospital located in Xuzhou, the PRC. It comprises a number of clinical departments, including general medicine, surgery, gynecology, pediatrics, otolaryngology, ophthalmology and is well-known for its nuclear medicine. Xukuang Hospital is a medical insurance designated medical institution in Xuzhou.

Huaikuang Hospital Group

Huaikuang Hospital Group consists of Huaibei Miner General Hospital* (淮北礦工總醫院), and a number of branch hospitals, and community healthcare centers. Huaibei Miner General Hospital is a not-for-profit hospital and is one of the largest Grade III hospitals located in Huaibei, Anhui, the PRC. Huaibei Miner General Hospital focuses on traumatology. It is affiliated with Bengbu Medical College* (蚌埠醫學院) and is a medical insurance designated medical institution in Huaibei.

LETTER FROM THE BOARD

Brain Hospital

Brain Hospital is a not-for-profit specialized hospital accredited as equivalent to Grade III, located in Guangzhou, Guangdong, the PRC. Brain Hospital has the largest rehabilitation training center in Guangdong. Brain Hospital has a number of clinical departments, including its nationally renowned neurosurgery. Brain Hospital is a medical insurance designated medical institution in Guangzhou.

Wugang Hospital Group

Wugang Hospital Group consists of 18 medical institutions in total including Wugang General Hospital and Wugang No. 2 Hospital, both of which are Grade III hospitals located in Wuhan, Hubei, the PRC. Wugang General Hospital and Wugang No. 2 Hospital are both medical insurance designated medical institutions in Wuhan.

REASONS FOR ENTERING INTO THE NEW FRAMEWORK AGREEMENT

CRH through its subsidiaries has a long track record of supplying PMM Items in the PRC. A stable and long term procurement arrangement between CRH, the Group and the Sponsored Hospitals has been in place for a number of years. The cooperation with CRH will help to secure a constant supply of the PMM Items which are essential for the daily operation of the Group and the Sponsored Hospitals. CRH is currently selected as one of the suppliers of the Group and the Sponsored Hospitals mainly because of, among others, its competitiveness and willingness to offer favourable commercial terms following arm's length negotiation as compared to other existing suppliers of the Group and the Sponsored Hospitals. In addition, the Group and the Sponsored Hospitals have also considered the fact that CRH is the second largest pharmaceutical distributor in the PRC with a prevailing market presence in the regions where the Group and Sponsored Hospitals operate, and its capability to offer better pricing and credit terms to the Company and the Sponsored Hospitals when compared with the other existing suppliers.

In selecting the suppliers for the Group and the Sponsored Hospitals (whether such suppliers are connected persons or not), the Group and the Sponsored Hospitals are required to go through a stringent selection and approval process involving arm's length commercial negotiation. CRH and its subsidiaries are required to comply with such selection process before becoming one of the suppliers of the Group and the Sponsored Hospitals. The execution of the New Framework Agreement is beneficial to both CRH and the Group and the Sponsored Hospitals. On the one hand, dealing with reputable customers like the Group and the Sponsored Hospitals can enhance CRH's reputation and market shares in the pharmaceutical supply industry; on the other hand, the Group and the Sponsored Hospitals can achieve better operating efficiency and economies of scale through dealing with a fewer number of suppliers with better quality like CRH.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS FOR NEW FRAMEWORK AGREEMENT

At the date of this circular, CRH is a controlling shareholder of the Company. Therefore, the New Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to the New PMM Purchase Caps exceeds 5%, the New Framework Agreement and the New PMM Purchase Caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. Since Mr. Wang Yin, Mr. Wang Yan, Mr. He Xuan and Mr. Liang Hongze are Directors appointed under the nomination of CRC, they have abstained from voting on the relevant board resolutions in relation to the New Framework Agreement.

INTERNAL CONTROL MEASURES

The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the New Framework Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the New Framework Agreement, on normal commercial terms, in the interest of the Company and its shareholders as a whole, and in accordance with the relevant pricing policies.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, has been established to consider the New Framework Agreement and the New PMM Purchase Caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the New Framework Agreement and the New PMM Purchase Caps thereunder. None of the members of the Independent Board Committee has any material interest in the New Framework Agreement.

Somerley has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EGM AND PROXY ARRANGEMENT

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the New Framework Agreement and the New PMM Purchase Caps thereunder. The notice of the EGM is set out on pages 43 to 44 of this circular. Pursuant to the Listing Rules, the votes of the Independent Shareholders on the proposed ordinary resolutions approving the New Framework Agreement and the New PMM Purchase Caps thereunder will be taken by way of poll at the EGM and an announcement on the poll results will be made by the Company after the EGM.

Any Shareholders who have a material interest in the New Framework Agreement shall abstain from voting on the resolution(s) in relation thereto to be proposed at the EGM. As at the Latest Practicable Date, CRH is a controlling shareholder of the Company, holding 466,824,016 Shares representing 36.0% of the Company's total issued Shares, and has a material interest in the New Framework Agreement. As such, CRH and its associates shall abstain from voting on the ordinary resolution(s) approving the New Framework Agreement and the New PMM Purchase Caps thereunder at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder had any material interest in the New Framework Agreement, and no other Shareholder is required to abstain from voting at the EGM on the ordinary resolution(s) approving and the New PMM Purchase Caps thereunder.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.crphoenix.hk).

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) approving the New Framework Agreement and the New PMM Purchase Caps thereunder. Your attention is also drawn to the letter from Somerley set out on pages 20 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement and the New PMM Purchase Caps thereunder, as well as the principal factors and reasons considered by it in concluding its advice.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, after considering the advice from Somerley) are of the view that the terms of the New Framework Agreement and the New PMM Purchase Caps are fair and reasonable, have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the Independent Board Committee) recommends you to vote in favour of the ordinary resolution(s) set out in the notice of the EGM approving the New Framework Agreement and the New PMM Purchase Caps thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board
China Resources Phoenix Healthcare Holdings Company Limited
WU Potao
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



华润凤凰

CR Phoenix

China Resources Phoenix Healthcare Holdings Company Limited

華潤鳳凰醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

August 18, 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER NEW FRAMEWORK AGREEMENT

We refer to the circular dated August 18, 2017 issued by the Company to its Shareholders (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall bear the same meanings as defined in the Circular unless the context otherwise requires.

Under the Listing Rules, the New Framework Agreement and the New PMM Purchase Caps thereunder are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider terms of the New Framework Agreement and the New PMM Purchase Caps and to advise the Independent Shareholders and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the New Framework Agreement and the New PMM Purchase Caps thereunder.

Somerley has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter from Somerley, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders as set out in the Circular.

Having taken into account, among other things, the advice from Somerley, the Independent Financial Adviser, we are of the view that the New Framework Agreement and the New PMM Purchase Caps thereunder (i) have been negotiated on an arm’s length basis; (ii) determined on normal commercial terms; (iii) are entered into in the ordinary and usual course of business of the Company; and (iv) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote at the EGM in favour of the ordinary resolution(s) regarding the New Framework Agreement and the New PMM Purchase Caps thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Yours faithfully,

Independent Board Committee

Kwong Kwok Kong

Independent

non-executive

Director

Cheng Hong

Independent

non-executive

Director

Sun Jianhua

Independent

non-executive

Director

Lee Kar Chung Felix

Independent

non-executive

Director

LETTER FROM SOMERLEY

The following is the full text of the letter of advice from the independent financial adviser, Somerley, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

August 18, 2017

*To: The Independent Board Committee and the Independent Shareholders of
China Resources Phoenix Healthcare Holdings Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS UNDER NEW FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the New Framework Agreement and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”). Details of the Continuing Connected Transactions are contained in the circular issued by the Company to the Shareholders dated August 18, 2017 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the Announcement in relation to, among others, the New Framework Agreement and the New PMM Purchase Caps. Due to operational needs, the Board expects that the Existing PMM Purchase Caps under the Original Framework Agreement will not be sufficient for the expected transaction amounts for the purchase of PMM Items from CRH for the years ending December 31, 2017 and 2018. On July 21, 2017, the Company and CRH entered into the New Framework Agreement, pursuant to which the Company and CRH agreed to increase the relevant annual caps for the purchase of the PMM Items by setting the New PMM Purchase Caps under the New Framework Agreement.

As at the Latest Practicable Date, CRH is a controlling shareholder of the Company and hence a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) relating to the New PMM Purchase Caps exceeds 5%, the Continuing Connected Transactions and the New PMM Purchase Caps are subject to the requirements of reporting, annual review, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

LETTER FROM SOMERLEY

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, has been established to advise the Independent Shareholders in respect of the Continuing Connected Transactions and the New PMM Purchase Caps, and to make a recommendation to the Independent Shareholders on the voting at the EGM on the ordinary resolution regarding the Continuing Connected Transactions and the New PMM Purchase Caps. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years, we have, on one occasion, acted as an independent financial adviser to the Company (formerly known as Phoenix Healthcare Group Co., Ltd), the details of which can be referred in the circular of the Company dated October 7, 2016. The past engagement was limited to providing independent advisory services to the Company pursuant to the Listing Rules and the Code on Takeovers and Mergers, for which we received normal professional fees. Accordingly, we do not consider the past engagement give rise to any conflict of interest for us in acting as the Independent Financial Adviser under the current engagement.

We are not associated with the Company, CRH or their respective associates, close associates or core connected persons and accordingly, are considered eligible to give independent advice and recommendation on the Continuing Connected Transactions and the New PMM Purchase Caps. Apart from normal professional fee payable to us in connection with this or similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, CRH or their respective associates, close associates or core connected persons.

In formulating our opinion and recommendation, we have reviewed, among other things, the Original Framework Agreement, the New Framework Agreement, the annual report of the Company for the year ended December 31, 2016 (the “**2016 Annual Report**”), the circular of the Company dated October 7, 2016 in relation to, among other things, the Original Framework Agreement and the Existing PMM Purchase Caps (the “**2016 Circular**”), the Announcement and the information as set out in the Circular. We have also discussed with the management of the Group and review information provided by management of the Group regarding the business of the Group and the prospects of conducting the Continuing Connected Transactions.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Information on the Group and the Sponsored Hospitals

The Company was incorporated in the Cayman Islands and the Shares have been listed on the Main Board of the Stock Exchange since 2013 under the name of Phoenix Healthcare Group Co., Ltd.. The Group is mainly engaged in general hospital services, hospital management services, and supply chain businesses in the Beijing-Tianjin-Hebei region in the PRC. On August 30, 2016, the Company and China Resources Healthcare Group Limited (“CRHG”), a subsidiary of CRH, signed a definitive agreement in relation to the Group’s acquisition of hospital assets from CRHG, including Huaikuang Hospital Group, Wugang Hospital Group, Xukuang Hospital, 999 Clinic and Brain Hospital (the “Acquisition”). The Acquisition was completed on October 31, 2016. After the Acquisition, the Company’s in-network hospitals expanded from the Beijing-Tianjin-Hebei region to the Pearl River Delta and the Pan-Yangtze River Delta. According to the 2016 Annual Report, there were 103 medical institutions under the Group’s investment, management or contractual arrangement, including 7 Grade III hospitals, 14 Grade II hospitals and 82 Grade I hospitals and clinics with nearly 11,772 beds in operation. In November 2016, the Company changed its name to China Resources Phoenix Healthcare Holdings Company Limited.

The Sponsored Hospitals comprise (i) Xukuang Hospital; (ii) Huaikuang Hospital Group; (iii) Brain Hospital; and (iv) Wugang Hospital Group. The Group owns equity interest in the respective sponsors for the Sponsored Hospitals, which enjoy certain rights and powers in relation to such Sponsored Hospitals. The basic information of each of the Sponsored Hospitals is set out in the letter from the Board in the Circular.

2. Information on CRH

CRH is a diversified conglomerate in the PRC and Hong Kong, which is one of the key and large scale state-owned enterprises under the administration of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. CRH is the holding company of CRH.

3. Reasons for and benefits of the entering into the New Framework Agreement

As stated in the letter from the Board in the Circular, CRH through its subsidiaries has a long track record of supplying the PMM Items in the PRC. A stable and long-term procurement arrangement between CRH, the Group and the Sponsored Hospitals has been in place for a number of years. The cooperation with CRH will help to secure a constant supply of the PMM Items which are essential for the daily operation of the Group and the Sponsored Hospitals. CRH is currently selected as one of the suppliers of the Group and the Sponsored Hospitals mainly because of, among others, its competitiveness and willingness to offer

LETTER FROM SOMERLEY

favourable commercial terms following arm's length negotiation as compared to other existing suppliers of the Group and the Sponsored Hospitals. In addition, the Group and the Sponsored Hospitals have also considered the fact that CRH is the second largest pharmaceutical distributor in the PRC with a prevailing market presence in the regions where the Group and the Sponsored Hospitals operate, and its capability to offer better pricing and credit terms to the Company and the Sponsored Hospitals when compared with the other existing suppliers.

In selecting the suppliers for the Group and the Sponsored Hospitals (whether such suppliers are connected persons or not), the Group and the Sponsored Hospitals are required to go through a stringent selection and approval process involving arm's length commercial negotiation. CRH and its subsidiaries are required to comply with such selection process before becoming one of the suppliers of the Group and the Sponsored Hospitals. The execution of the New Framework Agreement is beneficial to both CRH and the Group and the Sponsored Hospitals. On the one hand, dealing with reputable customers like the Group and the Sponsored Hospitals can enhance CRH's reputation and market shares in the pharmaceutical supply industry; on the other hand, the Group and the Sponsored Hospitals can achieve better operating efficiency and economies of scale through dealing with a fewer number of suppliers with better quality like CRH.

As stated in the letter from the Board in the Circular, CRH, similar to other independent third party suppliers, are required to go through the selection and approval process as well as the commercial negotiation process to become the selected supplier of the Group and the Sponsored Hospitals. In addition, CRH or its subsidiaries, is considered relatively more competitive and willing to offer favourable commercial terms compared with other independent third party suppliers. Meanwhile, the Group has the right to terminate the agreement without cause with 30 days' written notice to maintain its flexibility in switching suppliers as it sees fit to ensure the fairness and reasonableness in determining the procurement pricing and other terms.

Given that all the principal terms, other than the annual caps and the term, of the New Framework Agreement follow the Original Framework Agreement and the factors mentioned above, we concur with the Directors' view that it is in the interest for the Group to extend its cooperation in relation to PMM Item procurement with CRH and its subsidiaries to achieve better operating efficiency and enjoy the economies of scale through dealing with a fewer number of suppliers with better quality like CRH.

Having regard to the principal business and operations of the Group and the reasons for and benefits of the entering into of the New Framework Agreement above, we concur with the aforesaid Directors' view that the entering into of the New Framework Agreement is in the ordinary and usual course of the business of the Group and in the interest of the Company and the Shareholders as a whole.

LETTER FROM SOMERLEY

4. The Continuing Connected Transactions

(a) *Introduction*

On October 5, 2016, the Company and CRH entered into the Original Framework Agreement. Pursuant to the Original Framework Agreement, the Group and the Sponsored Hospitals may place purchase orders for the PMM Items with CRH or its subsidiaries from time to time and CRH may, through its subsidiaries, supply the PMM Items to the Group and the Sponsored Hospitals from time to time at a price in accordance with the agreed pricing policy. The details of each purchase order, including price, payment terms and delivery arrangement, are to be separately agreed in accordance with the principles laid down in the Original Framework Agreement. The Original Framework Agreement and the Existing PMM Purchase Caps were approved at the extraordinary general meeting of the Company on October 31, 2016.

Due to operation needs, the Board expects that the Existing PMM Purchase Caps under the Original Framework Agreement will not be sufficient for the expected transaction amounts for the purchase of the PMM Items from CRH for the years ending December 31, 2017 and 2018. The Board therefore proposed to increase the annual caps for the purchase of the PMM Items under the New Framework Agreement.

(b) *Principal terms of the New Framework Agreement*

Set out below are the principal terms of the New Framework Agreement:

Date

July 21, 2017

Parties

The Company and CRH

Term

The term of the New Framework Agreement is from the date on which the approval of the New Framework Agreement by the Independent Shareholders at the EGM has been obtained to December 31, 2019.

Save for the annual caps and the term, all the principal terms of the New Framework Agreement follow the Original Framework Agreement. The Original Framework Agreement shall terminate upon the New Framework Agreement being approved by the Independent Shareholders at the EGM.

LETTER FROM SOMERLEY

Subject matter

Similar to the Original Framework Agreement, pursuant to the New Framework Agreement, the Group and the Sponsored Hospitals may place purchase orders for the PMM Items with CRH or its subsidiaries from time to time and CRH may, through its subsidiaries, supply the PMM Items to the Group and the Sponsored Hospitals from time to time at a price in accordance with the agreed pricing policy. The details of each purchase order, including price, payment terms and delivery arrangement, are to be separately agreed in accordance with the principles laid down in the New Framework Agreement.

Pricing policy for PMM Item purchase

The price of the PMM Items shall be determined in accordance with the following principles:

- (i) if required by the PRC laws and regulations to do so, the prescribed price or guided price of the PMM Items fixed by the PRC regulators should be followed;
- (ii) if there is no mandatory legal requirements to strictly follow the prescribed price or guided price of the PMM Items, the price shall be determined based on arm's length negotiation between the parties and with reference to the then prevailing market price as evidenced by at least two quotations/bids (if available) obtained by the Company on best effort basis from independent third parties suppliers and in any event such price should not be higher than the applicable prescribed price or guided price; and
- (iii) in the absence of a prescribed price or guided price of the relevant PMM Items, the price shall be determined based on arm's length negotiation between the parties and with reference to the then prevailing market price as evidenced by (a) the invoices provided by CRH or its subsidiaries for their supply of the relevant product to no less than three hospitals of similar grade or customers of similar procurement scale; and (b) at least two quotations/bids (if available) obtained by the Company on best effort basis from independent third parties suppliers.

LETTER FROM SOMERLEY

In accordance with the relevant guiding opinions and implementation notice issued by the PRC regulators, the procurement of certain PMM Items by public hospitals and medical institutions in the PRC is subject to a centralised tendering process. This centralised tendering process also serves as a mechanism to determine the applicable prescribed price or guided price for the relevant PMM Items. The PMM Items subject to the centralised tendering process are determined and specified by the local regulators, which cover almost all the pharmaceutical products and a certain part of the medical devices that the Group and the Sponsored Hospital purchased from CRH. The centralised tendering process generally operates as follows:

- (i) public hospitals and medical institutions in different provinces and cities in the PRC will submit the types of PMM Items (except for decoction pieces) required in their ordinary course of business to the centralised procurement platform in the relevant province or region, where the suppliers will submit their bidding prices in respect of the relevant PMM Items;
- (ii) the relevant governmental authority will then determine the selling price of a particular PMM Items in the relevant province or region by taking into consideration mainly the bidding prices, quality of the PMM Items and the comprehensive capability of different suppliers, and from which supplier(s) the hospitals and medical institutions in that province or region may purchase the product or consumable at such selling price; and
- (iii) due to the nature and operation of the above tendering process, the selling price for the same type of PMM Items may vary across different provinces and regions.

CRH, similar to other independent third party suppliers, is required to go through the selection and approval procedures adopted by the Group and/or the Sponsored Hospitals as well as the commercial negotiation process in order to become a supplier of the Group and/or the Sponsored Hospitals. If practicable, the Group and/or the Sponsored Hospitals may source the required PMM Items through an open tendering or invited bidding to ensure fairness of the process. Certain designated personnel will be appointed to survey the price of designated PMM Items and ensure the tender pricing meets all such standards. Open tendering involves a bidding process that is open to all qualified bidders; while invited bidding involved a bidding process that is open to a few selected qualified bidders. Invited bidding may be adopted in particular in the circumstances where there is a relatively low demand for procurement of the relevant products or where there are insufficient potential bidders. Under the open tendering/invited bidding procedure in accordance with The Invitation And Submission of Bids Law of the PRC (中華人民共和國投標招標法) which apply to both connected persons and independent third parties, a bid evaluation committee consisting the Company's representatives and independent industry experts will assess and evaluate each submitted tender/bid under a set of criteria, including the price competitiveness and compliance with technical and product specifications, suppliers' track record and financial strength, and the Group and the

LETTER FROM SOMERLEY

Sponsored Hospitals will select and appoint the supplier for the relevant PMM Items adhering the recommendation from the bid evaluation committee. Direct procurement applies only in respect of certain low-price products and where open tendering or invited bidding is not considered practical or cost-efficient.

The parties also negotiate the terms of sales based on the business needs of, and the suitability of PMM Items to, the Group and/or the Sponsored Hospitals in the ordinary and usual course of business. After the Group or the Sponsored Hospitals confirmed the procurement, CRH or its subsidiaries will supply the PMM Items to the Group and/or the Sponsored Hospitals on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of PMM Items. From time to time, sales agents are required to produce pricing guides as part of their pitching. With such pricing information and the accumulated market experience from the long operation track record of the Group and the Sponsored Hospitals, the Company is always able to stay aware of the fair market terms for different supplies.

Internal control measures

In order to ensure that the pricing and terms of the transactions contemplated under the New Framework Agreement are in accordance with the pricing policy and no less favourable to the Group and the Sponsored Hospitals than those offered by independent suppliers, the Group and the Sponsored Hospitals will observe the following internal control measures:

- (i) designated management teams (i.e. the bid evaluation committee) of the Group and the Sponsored Hospitals have been appointed to supervise the pricing and terms of the transactions under the New Framework Agreement and the compliance of The Invitation And Submission of Bids Law of the PRC (中華人民共和國投標招標法), when applicable;
- (ii) in particular, such designated management teams (i.e. the bid evaluation committee) will review the invoices provided by CRH and/or the quotations/bids from independent third parties suppliers as disclosed above and ensure that the prices offered by CRH are not less favourable than those offered by independent suppliers;
- (iii) the Company's auditor will conduct an annual review on the pricing and the caps under the New Framework Agreement; and
- (iv) the management of the Company will conduct an annual review of the implementation and enforcement of the New Framework Agreement.

LETTER FROM SOMERLEY

Having considered the above and in particular the transparency in the procurement process and the internal control measures, the Directors are of the view that the above procedures provide sufficient safeguard to ensure that the procurements will be conducted on normal commercial terms or better.

We have reviewed the New Framework Agreement and noted that the pricing of the PMM Items, similar to the Original Framework Agreement, are determined based on the basis as mentioned above. We have obtained the internal tendering assessment documents of the centralised procurement suppliers for Wugang Hospital Group conducted in August 2016 and the tendering result confirmation document approved by the bid evaluation committee. In addition, we have obtained the invitation to tender published by the Company for centralised procurement suppliers for Huaikuang Hospital Group and Xukuang Hospital on March 1, 2017 and the tendering documents submitted by the CRH Group and six other independent third party suppliers at the end of March 2017. We have compared the pricing and other terms set out in the tendering documents and noted that the pricing and other terms offered by the CRH Group are no less favourable to the Group than those offered by the other six independent third party suppliers.

For the PMM Items without prescribed price or guided price fixed by the relevant government authorities, as advised by the management of the Group, the amount of these PMM Items was minimal. As these PMM Items are not commonly available across the market, the prices of these PMM Items are usually determined by the suppliers. The Group and the Sponsored Hospitals will obtain at least two quotations (if available) on best effort basis should there be actual needs for these PMM Items to ensure the fairness and reasonableness of the procurement pricing and other terms. We have obtained two quotations from the Company in relation to certain medical consumables and the corresponding purchase invoices and we noted that the purchase price of the medical consumables was determined based on the lowest quotation obtained by the Company.

Having considered that the Group and the Sponsored Hospitals have in place the internal control measures as mentioned above, including (i) the review and approval from the bid evaluation committee with reference to: (a) the price competitiveness and compliance with technical and product specifications; (b) the compliance of The Invitation And Submission of Bids Law of the PRC (中華人民共和國投標招標法) as regulated by the government authorities; (c) the comparison of pricing and other terms offered by CRH and the independent third parties suppliers to ensure the pricing and other terms obtained by the Group shall be no less favourable to those offered by independent third parties; and (d) the annual review by both the auditor and the management of the Company; and (ii) our work done as stated above to confirm our understanding of the relevant internal control measures, we are of the opinion that the internal control measures are effective to ensure that the New Framework Agreement will be adhered to, the pricing and terms of the individual transactions in the ordinary course of business will be no less favourable than those offered by independent third party suppliers from time to time and the annual caps will not be exceeded.

LETTER FROM SOMERLEY

Having considered the established pricing policy and the transparent internal control measures as mentioned above, we considered the terms in relation to the purchase of PMM Items contained in the New Framework Agreement to be conducted on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(c) *The Annual Caps*

Historical transaction amount of the PMM Items purchase

Set out below are the total historical transaction amounts in relation to the procurement of the PMM Items by: (i) Wugang Hospital Group; (ii) Huaikuang Hospital Group; (iii) Xukuang Hospital; and (iv) the Group and the remaining Sponsored Hospitals for the three years ended December 31, 2014, 2015 and 2016 and the five months ended May 31, 2017.

	For the year ended December 31,			For the five months ended
	2014	2015	2016	May 31, 2017
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Wugang Hospital Group	296	274	359	190
Huaikuang Hospital Group	307	284	356	172
Xukuang Hospital	53	65	97	43
the Group and the remaining Sponsored Hospitals	1,234	1,434	1,414	551
Total	1,890	2,057	2,226	956

Set out below are the historical transaction amounts in relation to the procurement of the PMM Items by: (i) Wugang Hospital Group; (ii) Huaikuang Hospital Group; (iii) Xukuang Hospital; and (iv) the Group and the remaining Sponsored Hospitals from CRH or its subsidiaries and their respective percentage to total transaction amounts for the three years ended December 31, 2014, 2015 and 2016 and the five months ended May 31, 2017.

LETTER FROM SOMERLEY

	For the year ended December 31,			For the five months ended
	2014	2015	2016	May 31, 2017
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Wugang Hospital Group	74 (25.0%)	73 (26.6%)	118 (32.9%)	94 (49.5%)
Huaikuang Hospital Group	2 (0.5%)	3 (1.1%)	50 (14.0%)	106 (61.6%)
Xukuang Hospital	Nil	Nil	Nil	Nil
the Group and the remaining Sponsored Hospitals	19 (1.5%)	18 (1.3%)	21 (1.5%)	22 (4.0%)
Total	<u>95</u> (5.0%)	<u>94</u> (4.6%)	<u>189</u> (8.5%)	<u>222</u> (23.2%)

The Existing PMM Purchase Caps

The table below sets out the Existing PMM Purchase Caps for the period from October 31, 2016 to December 31, 2016 and the two financial years ending December 31, 2017 and 2018, which were approved at the extraordinary general meeting of the Company on October 31, 2016.

For the period from October 31, 2016 to December 31, 2016 <i>(RMB million)</i>	For the year ending December 31, 2017 <i>(RMB million)</i>	2018 <i>(RMB million)</i>
66.5 million	509 million	538.5 million

The Existing PMM Purchase Cap for the period from October 31, 2016 to December 31, 2016 was not exceeded. As at the Latest Practicable Date, the Existing PMM Purchase Cap for the year ending December 31, 2017 has not been exceeded.

LETTER FROM SOMERLEY

The New PMM Purchase Caps

The table below sets out the New PMM Purchase Caps under the New Framework Agreement for the three years ending December 31, 2017, 2018 and 2019 (the “**Cap Period**”), after applying the buffer on top of the total projected procurement amount from CRH or its subsidiaries as discussed in the paragraph headed “(v). a buffer of approximately 5% to 10% per year for the three financial years ending December 31, 2019 to accommodate the possible expansion of the Group’s hospital network and the unforeseeable circumstance” below:

	For the year ending December 31,		
	2017	2018	2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Wugang Hospital Group	340	550	600
Huaikuang Hospital Group	380	540	620
Xukuang Hospital	50	130	150
The Group and the remaining Sponsored Hospitals	200	280	340
Total	970	1,500	1,710

Set out below is the summary of the total projected procurement amounts from CRH or its subsidiaries, before applying any buffer:

	For the year ending December 31,		
	2017	2018	2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Wugang Hospital Group	327	498	547
Huaikuang Hospital Group	365	494	561
Xukuang Hospital	50	121	139
the Group and the remaining Sponsored Hospitals	184	254	310
Total	926	1,367	1,557

LETTER FROM SOMERLEY

As stated in the letter from the Board in the Circular, the New PMM Purchase Caps were determined with reference to the followings factors:

(i) *the total historical transaction amounts of procurement of the PMM Items*

Set out below is the summary of the total projected transaction amounts of procurement of the PMM Items for the three financial years ending December 31, 2019:

	For the year ending December 31,		
	2017	2018	2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Wugang Hospital Group	466	512	563
Huaikuang Hospital Group	470	534	608
Xukuang Hospital	113	132	153
the Group and the remaining Sponsored Hospitals	1,600	1,868	2,203
Total	2,649	3,046	3,527

As disclosed the letter from the Board in the Circular, the Company recorded total procurement of the PMM Items of approximately RMB2,226 million for the year ended December 31, 2016, representing a compound annual growth rate (“CAGR”) of approximately 8.5% for the period between 2014 and 2016. Among the hospitals sponsored by the Group, Wugang Hospital Group and Huaikuang Hospital Group recorded total procurement for the year ended December 31, 2016 of approximately RMB359 million and RMB356 million respectively, representing increases by approximately 31.0% and 25.4% respectively compared to the prior year.

In addition, the Company recorded the total procurement of the PMM Items of approximately RMB956 million for the five months ended May 31, 2017, representing approximately 42.9% of the total procurement of the PMM Items purchase for the year ended December 31, 2016 of approximately RMB2,226 million. Among the hospitals sponsored by the Group, the annualised total procurement for the five months ended May 31, 2017 for the Wugang Hospital Group, Huaikuang Hospital Group and Xukuang Hospital were approximately RMB456 million, RMB413 million and RMB103 million respectively, representing increases by approximately 27.0%, 16.0% and 6.2% respectively compared with those in 2016.

LETTER FROM SOMERLEY

As shown in the table above, according to the procurement plan submitted by each of the Sponsored Hospitals, it is expected that the total procurement of the PMM Items will be approximately RMB2,649 million for the year ending December 31, 2017, representing an increase of approximately 19.0% compared with the total procurement amount of approximately RMB2,226 million for the year ended December 31, 2016. The projected transaction amounts of the procurement of the PMM Items for the year ending December 31, 2019 will further increase to approximately RMB3,527 million, representing a CAGR of approximately 15.4% compared with the projected transaction amounts for the year ending December 31, 2017.

Having considered the relatively higher increment in procurement for the year ended December 31, 2016 and the five months ended May 31, 2017, we are of the opinion that the expected growth rate of approximately 19.0% for the year ending December 31, 2017 to be fair and reasonable.

(ii) the percentages of utilisation of the Existing PMM Purchase Caps under the Original Framework Agreement

As disclosed in the letter from the Board in the Circular, the Company had already utilised approximately 97% and 44% of the Existing PMM Purchase Caps for the period from October 31, 2016 to December 31, 2016 and for the five months ended May 31, 2017 respectively. As advised by the management of the Group, it is expected that the utilisation will exceed the Existing PMM Purchase Caps for the year ending December 31, 2017 under the current procurement plan. We have obtained and reviewed the latest procurement plan of each of the Sponsored Hospitals and noted that the expected aggregate procurement plan of the Sponsored Hospitals for the year ending December 31, 2017 will be approximately RMB2,649 million, details of which are as explained above.

Following the expected increase in procurement from CRH as explained by the reasons below, the expected total procurement from CRH for the year ending December 31, 2017 to be approximately RMB970 million, exceeding the Existing PMM Purchase Cap of RMB509 million for the year ending December 31, 2017.

LETTER FROM SOMERLEY

(iii) *the increase in the procurement of the PMM Items from CRH by the Group and the hospitals sponsored by the Group*

As advised by the management of the Group, the expected increase in procurement of the PMM Items during the Cap Period is mainly attributable to the following reasons:

(a) *the increase of inpatient and outpatient visit of hospitals sponsored by the Group*

As advised by the management of the Group, the total inpatient visit and total outpatient visit of the hospitals sponsored by the Group recorded CAGRs of approximately 10.7% and 7.2% respectively for the period between 2014 and 2016. Among these hospitals sponsored by the Group, the total inpatient visit and total outpatient visit of the three major hospitals, namely Wugang Hospital Group, Huaikuang Hospital Group and Xukuang Hospital, grew by approximately 9.3% and 9.7% respectively for the five months ended May 31, 2017 compared with those for the five months ended May 31, 2016. We have obtained the total inpatient visit and total outpatient visit figures of the hospitals sponsored by the Group and noted that the growth of the total inpatient visit and total outpatient visit are consistent with the representation of the management of the Group mentioned above. Based on the above, it is expected the number of inpatient and outpatient visits of the hospitals sponsored by the Group will continue to increase and hence the demand for the PMM Items is also expected to continue to increase. As advised by the management, to cope with the increase in inpatient and outpatient visit after having considered the inflation factor, the total procurement amount by the Group for the financial year ending December 31, 2019 will be approximately RMB3,527 million, representing CAGR of approximately 15.4% compared with the total procurement for the year ending December 31, 2017 of approximately RMB2,649 million.

(b) *the expected substantive increase in purchase of the pharmaceuticals from CRH by the Group and the hospitals sponsored by the Group*

As disclosed in the letter from the Board in the Circular, due to the arrangement to have CRH as the main supply channel for Huaikuang Hospital Group and Wugang Hospital Group as disclosed in the 2016 Circular and the availability of certain pharmaceutical products from CRH which were previously unavailable, it was expected that the percentage of pharmaceutical procurement from CRH by Huaikuang Hospital Group and Wugang Hospital Group would increase from approximately 22% for the year ended December 31, 2016 to approximately 78% to 99% for the three financial years ending December 31, 2019. Furthermore, it was expected that Xukuang Hospital, similar to Huaikuang Hospital Group, to have CRH as its main supply channel so as to enjoy bulk purchase discount, which would increase the percentage of pharmaceutical procurement from CRH from 0% to 51% to 100% for the three financial years ending December 31, 2019.

LETTER FROM SOMERLEY

As disclosed in the 2016 Circular, Huaikuang Hospital Group would purchase all of its pharmaceutical supplies from CRH and its subsidiaries. As advised by the management of the Group, in March 2017, the Company approved the implementation of centralised procurement plan in East China Region, including Xukuang Hospital and Huaikuang Hospital Group. CR Anhui Pharmaceutical Company Limited (華潤安徽醫藥有限公司), a subsidiary of CRH, was subsequently selected as the exclusive supplier of the PMM Items of the Huaikuang Hospital Group and Xukuang Hospital. Xukuang Hospital, therefore, has become a new Sponsored Hospital selecting CRH or its subsidiaries as the exclusive supplier of the PMM Items. We have obtained the internal meeting documents for the implementation of the centralised procurement plan in East China Region, including Huaikuang Hospital Group and Xukuang Hospital, approved in April 2017.

For Wugang Hospital Group, as disclosed in the 2016 Circular, CRH (through its subsidiary) won the tender and entered into a centralised procurement agreement with Wugang Hospital Group, pursuant to which CRH will be Wugang Hospital Group's key supplier and Wugang Hospital Group may allocate around 70% and 75% of the total procurement to CRH and its subsidiaries. We have obtained the internal approval document for the centralised procurement plan approved in July 2016. As advised by the management of the Group, to enjoy bulk purchase discounts, it is the management's plan that all procurement of the PMM Items by Wugang Hospital Group will be allocated to CRH and its subsidiaries starting from 2018.

In addition to the three major hospitals in the above, the management of the Group has also planned to purchase certain types of pharmaceutical products for the remaining hospitals sponsored by the Group from CRH so as to enjoy bulk purchase discounts. It is expected that the percentage of pharmaceutical procurement from CRH out of total pharmaceutical procurement to be increased from approximately 2% for the financial year ended December 31, 2016 to approximately 17% to 19% for the three financial years ending December 31, 2019. As advised by the management of the Group, approximately 70% of the existing pharmaceutical procurement of the remaining hospitals sponsored by the Group was provided by several independent third party suppliers under a centralised procurement arrangement. We have obtained the current procurement plan from the management of the Group and noted that the management expects to procure the remaining approximately 30% of the total pharmaceutical products from CRH. Furthermore, it is also the Group's plan to purchase certain pharmaceutical products which were previously unavailable for the Group and the Sponsored Hospitals such as intravenous injection liquid, atorvastatin, amlodipine besylate tablets from CRH for the three financial years ending December 31, 2019.

LETTER FROM SOMERLEY

(c) the expected substantive increase in purchase of medical devices from CRH

As disclosed in the letter from the Board in the Circular, it is expected that a substantive increase in purchase of medical devices from CRH due to further integration and centralised management of the Group's supply chain so as to enjoy bulk purchase discounts and based on the historical transaction amounts and prices of the relevant medical devices of the Group, the Sponsored Hospitals and CRH. It is expected that the percentage of medical device procurement from CRH out of total medical device procurement to be increased from approximately 8% for the financial year ended December 31, 2016 to approximately 21% to 32% for the three financial years ending December 31, 2019. We have obtained and reviewed the centralised procurement plan from the management of the Group and noted that it is the Group's plan to change the current procurement of high-value-added and low-value-added medical devices separately from many independent suppliers to centralised procurement to enjoy bulk purchase discount.

(d) a buffer of approximately 5% to 10% per year for the three financial years ending December 31, 2019 to accommodate the possible expansion of the Group's hospital network and the unforeseeable circumstances

The Group has added approximately 5% and 10% buffers on top of the total expected procurement of the PMM Items from CRH for the financial year ending December 31, 2017 and each of the financial year ending December 31, 2018 and 2019 respectively to accommodate the possible expansion of the Group's hospital network, the unexpected increases in outpatient and inpatient visits to the Sponsored Hospitals and other unforeseeable circumstances (including future price inflation increase). Having considered: (i) the increases in outpatient and inpatient visits for the financial year ended December 31, 2016 and for the five months ended May 31, 2017 as mentioned above; and (ii) the future plan to expand the number of beds in operations in the hospitals under the Group's management to cope with the growth in outpatient and inpatient visits, the inclusion of buffers of approximately 5% and 10% for the financial year ending December 31, 2017 and each of the financial year ending December 31, 2018 and 2019 in the New PMM Purchase Caps is considered reasonable.

LETTER FROM SOMERLEY

5. No reliance on CRH

As stated in the letter from the Board in the Circular, the Group and the Sponsored Hospitals are not dependent on CRH even with the transactions contemplated under the New Framework Agreement given the reasons stated below: (i) the PMM Items supplies are generic in nature and are readily available from different suppliers in the PRC; (ii) the Group and the Sponsored Hospitals have existing relationships with a number of different suppliers who can easily step in to replace any supplies from CRH and its subsidiaries. There is no reason to believe that any such independent suppliers would be unwilling to continue or re-commence their supplies to the Group and the Sponsored Hospitals in the event of any shortfall of supplies from CRH and its subsidiaries; and (iii) the contemplated transaction amounts under the New Framework Agreement (before the buffer) constitute below 45% of the total projected procurement amounts for the PMM Items by the Group and the Sponsored Hospitals during the period up to 31 December 2019.

Moreover, under the New Framework Agreement, the Company has the right to terminate the agreement without cause with 30 days' written notice, which provides the Group and the Sponsored Hospitals with sufficient independence and flexibility. There is no fixed procurement requirements imposed on the Group and the Sponsored Hospitals pursuant to the New Framework Agreement, and accordingly the Group and the Sponsored Hospitals may adjust their procurement policies in respect of CRH on an on-going basis in accordance with the then applicable circumstances.

Having considered the above, we concur with the management's view that there is no potential reliance on the CRH Group for the signing of the New Framework Agreement.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into the New Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Continuing Connected Transactions (including the New PMM Purchase Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the New Framework Agreement and the Continuing Connected Transactions (including the New PMM Purchase Caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have been taken under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Shares

Name of Directors and Chief Executives	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of shareholding %
Xu Zechang	Beneficial Owner	3,208,093	0.25
Cheng Libing	Beneficial Owner	1,201,129	0.09
Wu Potao	Beneficial Owner	3,449,000	0.27

Save as disclosed above, as at the Latest Practicable Date, so far as it is known to the Directors or the chief executives of the Company, none of the Directors or chief executives of the Company had interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded in the register kept by the Company or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other person's interests and short positions in the Shares and underlying shares of the Company

As at the Latest Practicable Date, substantial Shareholders' interests or short positions in the Shares and underlying shares of the Company, which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of shareholding %
China Resources National Corporation	Interest in Controlled Corporation	466,824,016(L) ¹	36.00
Speed Key Limited	Beneficial Owner	194,601,360(L) ²	15.01
Xu Baorui	Interest in Controlled Corporation	194,601,360(L) ²	15.01
Commonwealth Bank of Australia	Interest in Controlled Corporation	80,863,500(L) ³	6.24

L: Long position

S: Short position

P: Lending Pool

Notes:

- (1) 462,913,516 of these shares are directly held by CRH (Phoenix Healthcare) Limited. CRH (Phoenix Healthcare) Limited is wholly owned by China Resources Healthcare Group Limited. China Resources Healthcare Group Limited is wholly owned by CRH (Healthcare) Limited. CRH (Healthcare) Limited is wholly owned by CRH. CRH is wholly owned by CRC Bluesky Limited. CRC Bluesky Limited is wholly owned by CRC. CRC is wholly owned by China Resources National Corporation; (2) 3,910,500 of these shares are directly held by Commotra Company Limited which is wholly owned by CRH.
- These shares were held by Speed Key Limited which was owned by Mr. Xu Baorui as to 95%, the father of Ms. Xu Jie, a director of the Company from September 2013 to November 25, 2016.

3. (1) These shares are directly held by First State Investments (Hong Kong) Ltd, which is wholly owned by First State Investment Managers (Asia) Limited. First State Investment Managers (Asia) Limited is wholly owned by Colonial First State Group Ltd, which is wholly owned by Commonwealth Insurance Holdings Limited. Commonwealth Insurance Holdings Limited is wholly owned by Colonial Holding Company Limited, which is wholly owned by Commonwealth Bank of Australia. (2) 5,516,500 of these shares are directly held by First State Investment Management (UK) Limited, which is wholly owned by SI Holdings Limited. SI Holdings Limited is wholly owned by First State Investment (UK Holdings) Limited. First State Investment (UK Holdings) Limited is wholly owned by Colonial First State Group Ltd.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares and underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since December 31, 2016 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Since Mr. Wang Yin, Mr. Wang Yan, Mr. He Xuan and Mr. Liang Hongze are Directors appointed under the nomination of CRC, they have abstained from voting on the relevant board resolutions in relation to the New Framework Agreement. Save for the above and as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than normal statutory compensation).

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. He Xuan is a director and the chairman of the board and Mr. Liang Hongze is the general manager of China Resources Healthcare Group Limited, a controlling shareholder of the Company, which is principally engaged in the businesses of hospital investment, operation, management and relevant extended services. As at the Latest Practicable Date and save as the abovementioned, none of the Directors or their respective close associates had interests in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2016, being the date to which the latest published audited accounts of the Company were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given its advice and recommendation which is contained in this circular:

Name	Qualification
Somerley	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name and advice or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, Somerley was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since December 31, 2016 (being the date to which the latest published audited financial statements of the Group were made up).

8. MISCELLANEOUS

- (a) The registered office of the Company is at Harneys Services (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002, Cayman Islands;
- (b) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;
- (c) The company secretary of the Company is Mr. Shiu Wing Yan; and
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on a business day in Hong Kong at the principal place of business of the Company in Hong Kong at 10/F, Hongkong Offshore Centre, No. 28 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong from the Latest Practicable Date to the date of the EGM:

- (a) the New Framework Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” on pages 18 to 19 of this circular;
- (c) the letter from Somerley containing its advice to the Independent Board Committee and Independent Shareholders, the text of which is set out in the section headed “Letter from Somerley” on pages 20 to 37 of this circular;
- (d) the written consent as referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (e) this circular.

NOTICE OF EGM



华润凤凰

CR Phoenix

China Resources Phoenix Healthcare Holdings Company Limited

華潤鳳凰醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of China Resources Phoenix Healthcare Holdings Company Limited (華潤鳳凰醫療控股有限公司) (the “**Company**”) will be held at E-825, Fuli Morgan Center, No. 6 Taiping Street, Xicheng District, Beijing, the PRC on Monday, September 4, 2017 at 10:30 a.m. for the purpose of considering, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the New Framework Agreement (as defined in the circular of the Company dated August 18, 2017 (the “Circular”)) (copy of the New Framework Agreement has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the proposed annual caps in relation thereto for the three years ending December 31, 2019 (as set out in the Circular) be and are hereby approved; and
- (b) any one of the directors of the Company be and is hereby authorized to do all such acts and things and sign, agree, ratify, execute, perfect or deliver all such agreements, deeds, instruments and any other documents (and, where required, under the common seal of the Company in accordance with the Articles of Association of the Company) and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the New Framework Agreement and any of the transactions contemplated thereunder.”

By Order of the Board

China Resources Phoenix Healthcare Holdings Company Limited

Wu Potao

Executive Director

Hong Kong, August 18, 2017

NOTICE OF EGM

Registered Office:

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240
Grand Cayman KY1-1002
Cayman Islands

Principal Place of Business in Hong Kong:

10/F, Hongkong Offshore Centre
No. 28 Austin Avenue
Tsim Sha Tsui
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Memorandum of Association and Articles of Association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. A proxy form for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
5. In order to be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).
6. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and, in such event, the proxy form appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises Mr. WANG Yin, Mr. WANG Yan, Mr. HE Xuan, and Mr. LIANG Hongze as non-executive Directors; Mr. CHENG Libing, Mr. WU Potao and Mr. XU Zechang as executive Directors; Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. SUN Jianhua and Mr. LEE Kar Chung Felix as independent non-executive Directors.